



## REMIT Quarterly

*ACER guidance on the application of REMIT and transaction reporting*

Issue No. 14 / Q3 2018

### The 2nd Energy Market Integrity and Transparency Forum

**The Agency for the Cooperation of Energy Regulators ('the Agency') organised its 2nd Energy Market Integrity and Transparency (EMIT) Forum on 6 and 7 September 2018, with the support of the Slovenian Ministry of Foreign Affairs. Among the participants of the Forum were the European Commission – Directorate-General for Energy, National Regulatory Authorities (NRAs), and other important stakeholders. There were approximately 150 attendees in total.**

The Forum included several presentations by the Agency's experts and stakeholders on operations under Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT), including transaction reporting and data quality, REMIT policy, market surveillance activities, and market surveillance by organised market places (OMPs). The participants were presented with statistics on triggered alerts for suspicious energy market events, which helped demonstrate the EU-wide market surveillance currently in place.

The Forum also contained four thematic sessions. The first one discussed the stakeholders' point of view on the potential lessons learnt from REMIT reporting and the potential use of REMIT data for transparency purposes; the second one was dedicated to the transparency of inside information disclosure; the third one covered monitoring, coordination and OMPs on the different roles of surveillance across Europe; and in last theme the way forward was debated in a session called 'REMIT Beyond'.

The stakeholders highlighted the benefits of REMIT for the integrity and transparency of wholesale energy markets in the European Union and welcomed the fact that REMIT data collection and data sharing with national authorities are fully operational.

The participants also called upon the Agency to dedicate more resources to additional guidance, as well as to the improvement of data quality and market transparency. In his concluding remarks, Director of the Agency Alberto Pototschnig echoed the stakeholders' sentiments and stressed that 'for REMIT to continue being a success story, the Agency needs adequate funding.' He urged the stakeholders to support the Agency in its budgetary requests.

The conclusions of the Forum, as understood by the Agency, are presented below.

#### REMIT operations, transaction reporting and data quality

REMIT data management and surveillance within the Agency's REMIT Information System (ARIS) are operational. ARIS is successful in fulfilling REMIT requirements and provides the Agency and the NRAs with REMIT data, i.e. data on wholesale standard and non-standard supply contracts, transportation contracts, fundamental data, and inside information. ARIS collects 1.8 million orders, 250,000 standard trades, and 20,000 bilateral trades, including non-standard contracts, on a daily basis. At the moment the Central European Register of Market partici-

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pants (CEREMP) contains 13,507 registered market participants, while the REMIT portal lists 73 OMPs, identifying 13,673 standard contracts.

The stakeholders acknowledged the importance of the work that themselves, the Agency and the NRAs have put into REMIT implementation and operations. They recognised the complexity of the project and expressed appreciation for the Agency's activities, especially its efforts to actively engage with its stakeholders. The documentation provided by the Agency, in particular, was deemed sufficient and useful. The Agency, on the other hand, expressed gratitude for the support and engagement of market participants and other stakeholders, which were instrumental in implementing REMIT.

The Agency's plan to focus more efforts on transparency was well perceived, and the stakeholders indicated that they are in favour of the Agency receiving additional capacity, mainly to further enhance the disclosure of inside information by market participants. The Forum supported the continuation of REMIT operations and the obtaining of sufficient funding for the Agency.

### A stakeholder's point of view on the lessons learnt from REMIT reporting and the potential use of REMIT data for transparency purposes

The Forum welcomed the Agency's cooperation with stakeholders, commended the fact that there is plenty of supporting documentation available, and highlighted the importance of the Agency's guidance. It was suggested to have the guidance grouped into a 'living document', which would serve as a single rulebook for market participants, Registered Reporting Mechanisms (RRMs), and OMPs. The Forum also called for a further standardisation of reporting formats and agreed that the EU wholesale energy market would benefit from the Agency publishing aggregated REMIT data.

The Forum acknowledged that REMIT is still in its early stages and that it would take time to make full use of its potential. Some participants called for a clearer distinction between reporting under financial regulations versus REMIT reporting, and requested that this be communicated jointly by the Agency and the European Securities and Markets Authority (ESMA). It was acknowledged that REMIT did not only contribute to the integrity and transparency in wholesale energy markets, but also helped to improve the standardisation of energy data and information management operations of market participants.

### REMIT Policy

It was agreed that it is important to promote transparency in terms of inside information disclosure, considering the dynamics of the industry and particularly the growing number of inside information platforms. The Forum expressed appreciation for the Agency's cooperation with relevant actors in designing new solutions for the effective and timely publication of inside information. Market participants expect that the Agency's solutions will not cause them any excessive burdens. The Forum expressed support for the Agency and its endeavours, especially with regard to the upcoming challenges of REMIT operations.

### Transparency in the disclosure of inside information

The Forum agreed that the energy market

would benefit from fewer platforms and uniform standards of disclosing inside information. The participants stressed that more specific and in-depth guidance on what constitutes inside information would be appreciated by market participants/traders and enhance inside information platforms. It was acknowledged that threshold limits are difficult to harmonise due to the complexity and specificity of the markets, but that REMIT data could nonetheless be used to study possible threshold definitions based on the reported status of the energy market.

### Market surveillance

The Agency presented the methodology and progress of its market surveillance activities. By describing the alert-triggering mechanism of its market surveillance tool, which is based on REMIT data, and the sharing of manually assessed alerts with relevant NRAs, the Agency demonstrated that EU-wide market surveillance is fully operational. As explained during the Forum, Table 1 shows key statistics for surveillance, and Figure 1 displays the alerts that were shared with the NRAs.

The Agency stressed that surveillance work is in the early stages and that the statistics would be impacted by, for example, the improvement of surveillance techniques. It was pointed out that several NRAs have opened cases based on the information provided in the shared alerts.

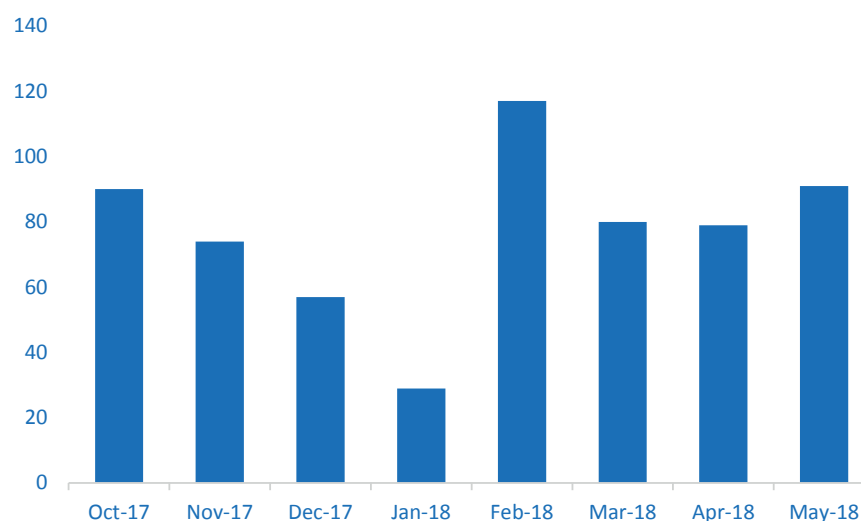
Based on the acquired experience and feedback from the NRAs, the Forum recognised the need for a continuous improvement of surveillance methodology, which needs to adapt to the ever-changing nature of the markets. The Forum acknowledged the important complementary surveillance work performed by OMPs in accordance with European and national regulations. GME gave an elaborate presentation on the principal technical issues, which provided an insight into market monitoring activities at an OMP level. In addition, the Forum expressed appreciation for the many achievements in the field of REMIT in 2018, including an improved cooperation between market actors and stakeholders. The involvement of all market actors, in particular, contributed to the EU-wide energy market and the numer-

**Table 1 Key surveillance statistics**

Category	Surveillance statistics between October 2017 and May 2018 (Average monthly key statistics)
Triggered Alerts	5,000
Manually Assessed Alerts	900
Suspicious Alerts	75
Preliminary Initial Assessment	1

Source: ACER.

**Figure 1 Absolute number of alerts shared with NRAs per trading month**



Source: ACER.

ous important accomplishments in terms of market monitoring under REMIT. Nevertheless, it is necessary to keep improving and coordinating in order to ensure a consistent application of the legislation and further improve the transparency of market surveillance.

#### REMIT beyond

The Forum highlighted the current and upcoming challenges in the field of energy market integrity and transparency. Some participants of the Forum agreed that a central inside information platform would facilitate the effective use of information, while others supported a more competitive setting with multiple platforms. In addition, the Forum discussed the possibility of extending the Agency's surveillance activities to third countries, in particular the UK (after Brexit) and Switzerland, as well as Ukraine, Georgia, and Western Balkan countries. Furthermore, many participants raised the issue of technological challenges of market surveillance, given the fact that algorithmic and high frequency trading are becoming increasingly important factors. The Forum acknowledged that market participants' feedback and cooperation are key for further improvement of REMIT.

#### Concluding remarks

REMIT implementation has been a success story thanks to the competence and coordination of the Agency and the NRAs, as well the efforts made by market participants, OMPs and RRM. The overall REMIT framework is well-functioning and can serve as an important precedent for the future. The next stage of REMIT will focus on adapting the legislative framework and improving the efficiency of monitoring by means of cooperation with all relevant market segments. The Forum repeatedly expressed concerns about the persistent lack of resources under which the Agency is forced to operate and the possible repercussions this might have for REMIT operations and, more generally, the surveillance of wholesale energy markets.

## First sanctions for non-compliance with registration and reporting obligations under REMIT

**REMIT established a reporting regime in order to monitor wholesale energy markets for market abuse. As such, it obliges market participants to register with the relevant National Regulatory Authority (NRA) and to report transactions and orders to trade directly to the Agency or through third parties acting on their behalf (namely trade reporting systems, organised market places, trade-matching systems, other persons professionally arranging transactions, etc.).**

Specifically, Article 9 of REMIT states that market participants entering into transactions which are required to be reported to the Agency have an obligation to register with the NRA of the Member State in which they are established or resident. If they are not established or resident in the Union, they have to register with the NRA of the Member State in which they are active. The obligation to register as a REMIT market participant is a prerequisite for compliance with other obligations laid down in REMIT.

Information from the national registers administered by the NRAs is centralised by the Agency in the European register of market participants. In order to enhance the overall transparency and integrity of EU wholesale energy markets, the Agency publishes the European register of market participants here: <https://www.acer-remit.eu/portal/european-register>.

Ever since REMIT reporting began in 2015, the Agency and the NRAs have been actively supporting the market participants' compliance with registration and reporting obligations. The NRAs have engaged with market participants and third parties acting on their behalf in order to ensure completeness of the data collected by the Agency and shared with the NRAs.

In the second quarter of 2018, after repeated unsuccessful attempts to ensure the compliance of some market participants and third parties acting on their behalf, the NRAs started sanctioning the non-compliant entities.

In April 2018, the Spanish NRA (CNMC) fined five companies a total of EUR 10,200

for a breach of their obligation to register as market participants (Aboutwhite S.L. – EUR 1,800; Asal de Energía S.L. – EUR 1,800; Elèctrica Vaquer Energia S.A.U. – EUR 1,800; Empresa Municipal de Distribució d'Energia Elèctrica de Ponts S.L.U. – EUR 3,000; Alpapat S.L. – EUR 1,800)<sup>1</sup>. The amount of fines incorporated two reductions of 20% (for an overall reduction of 40%), as all market participants accepted their responsibility for the breach and paid the fines.

In May 2018, the Hungarian NRA (MEKH) sanctioned an organised market place with a fine of HUF 13.6 million<sup>2</sup> (approximately EUR 40,000) for a breach of reporting obligations (Article 8 of REMIT).

MEKH has imposed the following additional obligations on the organised market place:

- to implement processes for the reporting of transactions taking place on its venue within 30 days of the sanction Decision;
- to provide the list of standard contracts to the Agency within 30 days of the sanction Decision; and
- to report to the Agency all transactions that took place during the non-reporting period within 90 days of the sanction Decision.

In line with Articles 8(1) to 8(4) of REMIT, organised market places shall, on behalf of market participants, provide the Agency with a record of wholesale energy market transactions. The list of organised market places is published by the Agency here: <https://www.acer-remit.eu/portal/organised-marketplaces>.

<sup>1</sup> For more information, please see: <https://www.cnmc.es/node/369721>.

<sup>2</sup> For more information, please see: [http://www.mekh.hu/download/3/86/60000/8080\\_2018.pdf](http://www.mekh.hu/download/3/86/60000/8080_2018.pdf).

## Second Open Letter on REMIT data quality

**The Second Open Letter on REMIT data quality was published on 19 July 2018. It covers all the reported data types and complements the first Open Letter on REMIT transaction reporting data quality, which was published on 16 February 2017.**

The purpose of the letter is to inform Organised Market Places (OMPs), Market Participants (MPs), Transmission System Operators (TSOs), System Storage Operators (SSOs), LNG System Operators (LSOs), and Registered Reporting Mechanisms (RRMs) that the Agency continues to conduct regular assessments of the completeness, accuracy and timely submission of the data received under REMIT. The letter also serves as a way for the Agency to liaise with reporting parties in order to further improve data reporting under REMIT. By reviewing the submitted data, the Agency aims to help the above-mentioned stakeholders to ensure that the data reported to the Agency is consistent with REMIT reporting requirements.

The Agency is committed to ensuring a high quality of transaction and fundamental data reporting, and will continue to allocate specialist supervisory resources to this endeavour and therefore further advance its market monitoring capabilities.

## Update of the Q&As on REMIT

**On 22 October 2018, the Agency published the 22nd edition of REMIT Questions and Answers, which contains the most up-to-date information concerning REMIT policy issues.**

The new edition provides updates on 10 Q&As. It aims at providing more clarity and transparency by merging and re-ordering a number of Q&As. In addition, several Q&As were removed as they were considered obsolete.

## Updates on Transaction Reporting Guidance

**The tenth edition of the Frequently Asked Questions on REMIT Transaction Reporting was published on 20 July 2018.**

The new edition provides ten new FAQs on data fields related to both standard and non-standard contracts, on lifecycle events related to both standard and non-standard contracts, on general questions about non-standard contracts, on executions under non-standard contracts, and on transaction reporting of gas transportation contracts.

Three existing FAQs have been updated. Its purpose is to provide reporting parties with more detailed information on REMIT transaction reporting. By providing guidance on additional questions, the Agency aims to help market participants meet the transaction reporting requirements under REMIT. The Agency will continue to discuss FAQs at roundtable meetings and will publish additional updates of the FAQs if necessary.

On 12 July 2018 the Agency published on the REMIT Portal, as an attachment to Annex VI to the Transaction Reporting User Manual (TRUM), the updated **List of Accepted Energy Identification Codes (EICs)** for REMIT transaction reporting purposes. Annex VI provides additional information on how to report the delivery point or zone correctly. Reporting parties are expected to use only valid EICs from the List of Accepted EICs for reporting delivery points or zones. To further encourage compliance with the reporting rules, the Agency plans to enable a validation rule in the autumn of 2018 which will enforce the exclusive use of valid EIC codes.

## New Edition of Manual of Procedures (MoP) on Data Reporting

**The fifth edition of the Manual of Procedures (MoP) on data reporting was published on 12 July 2018. The updated edition of the document includes the new Annex IX, which provides a List of Liquefied Natural Gas (LNG) facilities subject to**

**reporting according to the REMIT Implementing Regulation.**

The Agency has conducted quality analyses on the LNG REMIT data reported in accordance with Article 9(3) and 9(5) of Implementing Regulation (EU) No 1348/2014. The findings have demonstrated that a number of existing LNG facilities in the EU do not report LNG data to the Agency. The Agency believes that the issue might be related to an incorrect understanding of the definition of LNG facility and LNG system operator under Directive 2009/73/EC ('the Gas Directive'), and has therefore provided a List of LNG facilities and their operators that, in the Agency's view, fit the definitions stated in the Gas Directive. In addition, the List provides an overview of EIC that shall be used for the identification of LNG facilities and their operators when reporting data according to Articles 9(3) and 9(5) of Implementing Regulation (EU) No 1348/2014.

## Overview of Contingency Reports Opened by Registered Reporting Mechanisms (RRMs) since January 2018

**A section on RRM Contingency Reports has been introduced to the REMIT Quarterly.**

The Agency developed so-called Contingency Reports to enable RRM to inform the Agency whenever their data reporting is hindered or not possible due to for example technical or quality impediments. The Contingency Reports would complement the Agency's applicable technical documentation.

The idea behind the new section is to both communicate the number of Contingency Reports opened by RRM as well as the number of individual events in which the Agency has had to interact with RRM and assist with the resolution.

In total, 23 different RRM submitted 56 contingency reports between 1 January and 30 September 2018. Out of the 56 reports, 49 have been closed while 7 reports remain opened.

## Statistics

### 190 REMIT Cases under Review

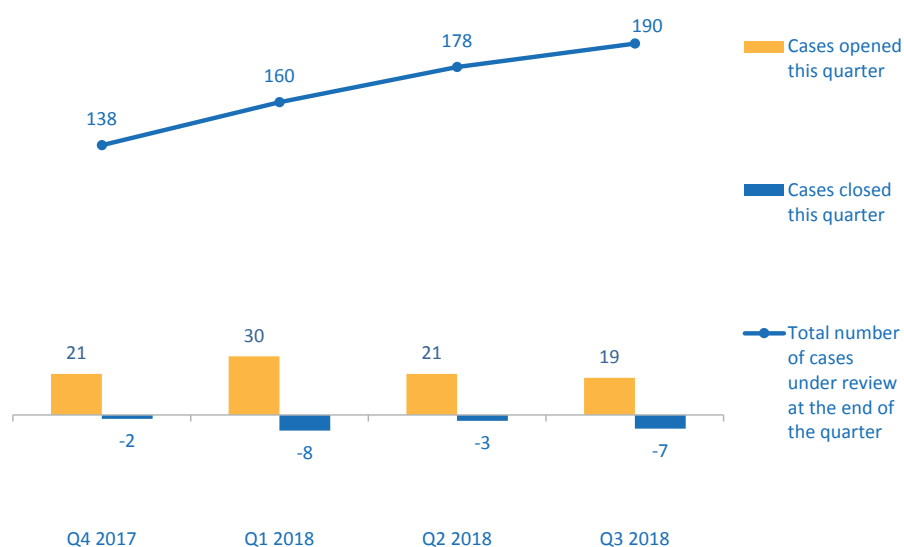
The Agency had 190 REMIT cases under review at the end of Q3 2018. REMIT cases are potential breaches of REMIT that are either notified to the Agency by external entities or identified by the Agency through its surveillance activities.

A case could, after a thorough investigation by the relevant national authority, lead to sanctions. A case could also be closed without sanctions, for instance if the suspicions were unfounded.

Figure 2 on the right shows the number of cases that were under review by the Agency in the last four quarters.

The Agency is responsible for the monitoring of wholesale energy markets and aims to ensure that National Regulatory Authorities carry out their tasks in a coordinated and consistent way, but it is not, however, responsible for the investigation of potential breaches of REMIT.

Figure 2 Potential REMIT Breach Cases - Quarterly Statistics



Source: ACER.

### REMIT Queries

The number of questions that the Agency receives through the various communication channels that have been put in place for the stakeholders (i.e. the Agency's Central Service Desk (CSD) and the online REMIT query form) has been decreasing.

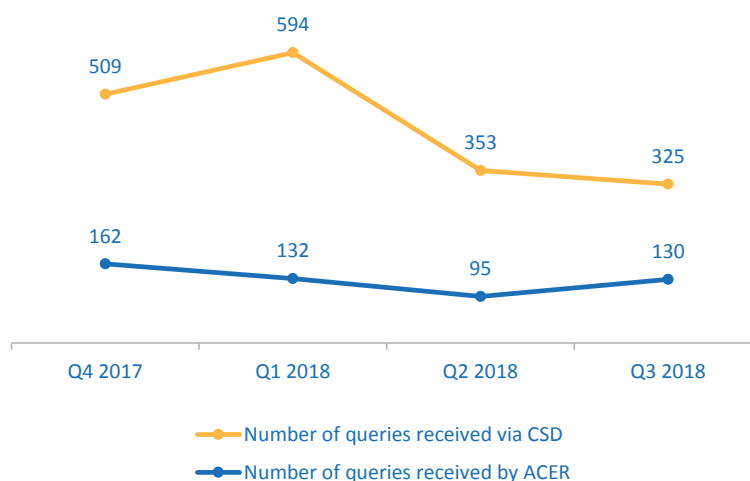
Figure 3 on the right illustrates the total number of queries received by the Agency in the last four quarters.

The Agency, when necessary, responds to specific questions on a one-to-one basis. Its main means of responding to queries, however, remains the publicly available documentation, such as:

- Questions & Answers on REMIT;
- Frequently Asked Questions (FAQ) on transaction data reporting; and
- FAQ on REMIT fundamental data and inside information collection.

REMIT documentation is made available on the REMIT Portal at <https://documents.acer-remit.eu> and in the Knowledge Base at <https://kb.acer-remit.eu>.

Figure 3 Statistics on REMIT Questions Reaching the Agency



Source: Questions sent to the CSD and to the online REMIT query form.

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